

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL TEN)

Docket No. RM2015-19

NOTICE OF THE UNITED STATES POSTAL SERVICE OF REVISIONS IN THE
ATTACHMENT TO THE PROPOSAL TEN PETITION -- ERRATA
(August 27, 2015)

Attached to the Postal Service's August 12, 2015 Petition seeking initiation of this rulemaking was a description of Proposal Ten, regarding the proposed merger of Cost Segments 3 and 4. Some of the background information provided in the attachment regarding the POSStPlan procedures had not been updated to accurately reflect the current situation. Therefore, pages 2 and 3 have been revised to remove inaccurate information. Revised copies of those two pages are attached. The correction of this background information has no effect on the substance of the costing methodology Proposal, which remains unchanged.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Maintaining systems for two separate cost segments requires an administrative burden that does little to add to the quality of the results. In order to develop product costs for this separate cost segment, the In-Office Cost System (IOCS) has been required to maintain a separate panel of CAG K finance numbers that generally have only one clerk employee.¹ In the event that one of these offices no longer has its one clerk, no IOCS readings can be obtained from that office. As the number of IOCS readings in these CAG K offices on the panel declines, the sampling variation increases until the sampling panel can be refreshed. In addition, the data demonstrate that the distribution of product costs in Cost Segment 4 is not statistically significantly different than for other small offices, such as CAG H and J, leading to the question of the necessity and value of separately reporting Cost Segment 4.

Furthermore, the newly implemented POSTPlan, focused on small offices, has had potentially confusing impacts in both Cost Segments 3 and 4. The POSTPlan initiative, announced on May 9, 2012, involved the evaluation of retail hours at over 13,000 post offices. The net effect of this evaluation was to reduce operating hours at these offices and, in many situations, replace postmasters (Cost Segment 1) with clerks (Cost Segments 3 and 4).²

The clerk cost effects occur in both CS3 and CS4, with the implication that analyzing the effects of POSTPlan may be complicated by including affected clerk costs in two distinct cost segments. Furthermore, the recent increases in Cost Segment 4

¹ Clerk costs have historically only occurred in CAG K; their appearance in CAG L is recent. Without the instant proposal, the current IOCS CAG K panel would have to be updated to incorporate CAG L, and other conforming changes would have to be made.

² The Postmaster cost changes do not necessitate a change to Cost Segment 1 methodology.

costs are the result of reclassifying the positions and shifting them from postmasters (Cost Segment 1) to clerks (Cost Segments 3 and 4), and are not due to increases in total costs at the very small post offices.

PROPOSAL:

The Postal Service proposes to merge Cost Segment 4 with Cost Segment 3. Under this proposal, for FY15, the In-Office Cost System (IOCS) would include the data from readings at CAG K and L offices together with those from CAG H and J offices.